HUMAN EVENTS

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Volume XII, No. 18 Saturday, April 30, 1955 Washington, D. C.

News Section

China Story: What really happened on the international spectrum — as realistic observers analyze it — is somewhat different from the story in the headlines. The Bandung conference was distorted: Chou En-lai won the rubber at that meeting, despite over-played reports of pin-pricks by Pakistan, Ceylon and other small countries. Actually, the Big Three Asian countries — India, China and Indonesia — controlled the show from beginning to end.

The visit of Radford and Robertson to Formosa came just at the right moment to play into Chou's hand. It was interpreted, immediately, as an Eisenhower move to persuade Chiang Kai-shek to give up Quemoy and Matsu, in preparation for the bigger sellout of Formosa itself under a "cease-fire agreement." (By this time, few in Washington any more pretend that Quemoy and Matsu are something different than Formosa, militarily.) This move triggered Chou En-lai's equivocal offer to meet with the U.S. but not with Chiang, which he made at Bandung. Actually, Chou conceded nothing by these words and the words were correctly interpreted by Undersecretary Herbert Hoover, Jr., who played the diplomatic game "straight," when he fired back with a counteroffer.

But meanwhile, Senator George — now the hope of the appeasers — came out for Chou's terms, and specifically to by-pass Chiang Kai-shek. Ike backed George.

According to talk in the Senate cloakrooms, George is now the "man of the *New York Times*" and that paper's Washington bureau chief, James Reston, helped prepare some of George's speeches.

Dulles, who profoundly wants to keep his job, was caught between the "two State Departments" — the one he officially heads, staffed by Herbert Hoover, Jr., and Far Eastern expert Walter Robertson, an "anti-appeaser;" and the "other State Department" of which Dr. Milton Eisenhower, appeaser and one-worlder and Harold Stassen (now a member of the Cabinet) are leaders.

Senator Knowland sharply repudiated the stand taken by Eisenhower and George and joined Senator Bridges (R., N.H.) in objecting to any talks with Red China from which Nationalist China was excluded.

When Editors Meet: Four editors, from four different states, compared dope on the election of 1956. All four agreed that Eisenhower would run in that year and would win. But how he would fare in their own particular states brought much less certainty. In each case, the editor expressed doubt that the President would win, for various local reasons. A fifth editor, strolling up, asked what states they represented: "Illinois, Michigan, Ohio and New York." He then asked: "And you are all sure he'll win in states other than your own?" All nodded. "Well," remarked the fifth man, "I would say those are damned important states to any presidential candidate."

● At the editors convention in Washington, visitors noted that all three daily newspapers in the nation's capital were, approximately speaking, "Eisenhower Republican." A year ago, the one conservative Republican paper, the *Times-Herald,* was purchased by and merged with the New Deal Republican *Washington Post,* giving the latter a monopoly in the morning field. Some visitors wondered if this situation did not affect the "slant" of the outflow of news to the country — an opinion held by some here. One of the latter asserted that the morning *Post,* in effect, shaped the outflow according to

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its own political preferences. "The *Post*," he explained, "has been giving by-lines to wire-service reporters in the Capital. That's valuable to them, particularly in their work of getting news on Capitol Hill. Hence, they are anxious to 'make the *Post*,' on the front page if possible, every day. What is more natural, therefore, to tend to write stories or give news emphasis to members of Congress or issues which the *Post* prefers. But that is the kind of stuff which fills the daily reports flowing out of Washington."

Political Talk: In Washington, the painfully (and — some would say — jerry-built) structure of North-South rapprochement in the Democratic Party has crashed to the ground in the past week. Over a week ago, politicos believed that the Democrats would present a united front at the Chicago convention next year. But now, northern wheel-horses have proclaimed that Party dissidents in 1952 — including Governors Kennon of Louisiana, Shivers of Texas and Byrnes of South Carolina — would be excluded at the convention next year. The South reacted violently, but there is no sign of the Northerners yielding. Democratic chances in '56, therefore, are selling off.

● A New Jersey GOP "harmony" dinner last week apparently turned out to be a travesty of "harmony." Prominent figures of the GOP of that state did not show up and delegations from two of the most populous areas of the state, Bergen and Passaic counties, conspicuously absented themselves. As for New York State, the New York *Journal American* (April 24) reported, "The GOP in the State has not been so badly disorganized in years," since the retirement of Dewey has produced something like chaos. The only elected high official, who is Republican, is Jack Javits, rated as farther left than Harriman and Lehman. And now Javits reportedly wants to run as GOP Senatorial candidate against Lehman.

What will happen then is unpredictable. But some New Yorkers talk of an independent non-partisan candidate. In New York City, at least, that's been a not unsuccessful venture in previous election years.

● One New York Republican Congressman — we happen to know — sent his political secretary to "observe" at a banquet tendered Rabbi Benjamin Schultz last week in Manhattan. The Rabbi has been a leader among McCarthy supporters. The secretary reported that the banquet room was "jammed" — some 800 guests paying $7 apiece. McCarthy, who was the keynote speaker, was cheered so often and lustily that it was difficult to hear many of his remarks. The tone of the speeches and responses of the crowd was "markedly anti-Eisenhower." The secretary concluded that the McCarthyite element in New York has far from diminished in numbers and depth of feeling. The Congressman, on receiving the report, concluded that a GOP victory in New York next year, even if Ike runs, is problematical.

● The latest Democratic "hopeful for '56" to discernibly shake his mane is Senator Stuart Symington — according to those who study manes from the press gallery. Symington's reported intention is to build himself up as the "conservative dark horse" among the Democrats. He would presumably materialize as the "compromise" candidate in the Democratic convention if and when Stevenson and Harriman, both "liberals," clash. It has been observed that the Missouri Senator has suddenly displayed great cordiality on the Senate floor towards Republican Senator Everett Dirksen and — of all people — Senator Joseph McCarthy.

On Capitol Hill: The Bricker Amendment will be reported out favorably by the Senate Judiciary Committee, as things now stand; Bricker has sufficient supporting votes in the committee. But, there is grave doubt among many Bricker friends that it will command enough support on the floor of the Senate. Reason: too many of those who voted with Bricker a year ago have been "softened up" by the White House, and Senator George cannot now be relied upon to help.

Too many Republicans, formerly for the Bricker measure, want too many things from the White House: judgeships, dams, etc., and, of course, quite a number fancy those intimate breakfasts and luncheons with the President. Too many legislators fail to remember that Senator Homer Ferguson suffered defeat last November, largely because he voted against Bricker on a crucial test. On the other

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hand, partisans of the Bricker Amendment hope the hearings will generate the old enthusiasm of a year ago. But observers believe they will have to work harder than they have before, to affect the voting.

● As foreshadowed in this column on March 12, renegotiation of defense contracts is in the legislative works again and may well pass, say those who watch such matters. A two-year extension of the Renegotiation Act, which expired last December, is contemplated by members of the House Ways and Means Committee and would cover profits of 1955 and 1956. Business interests are opposing the move.

● Stand-by controls of prices, wages and rents are being drawn up by Arthur Flemming, Chief of the Defense Mobilization Board, despite their failure to work in both World War II and the Korean war. Flemming is classified as a Republican New Dealer and served under the Democrats. One of his aides is Edward F. Phelps, Stabilization Director. Phelps is a veteran New Dealer, having served in OPA and under Democrats for many years. He is reported to be very much interested in stand-by controls. One plan under consideration now is to offer a measure for such controls as an amendment to the Defense Production Act.

Shades of RFC: When Congress finally liquidated the RFC in 1953 as a result of a series of exposures (in which politics, incredible business judgment by RFC Directors and a pervading philosophy of "come-get-it" had resulted in a shocking use of the taxpayers' money) there was hope that there would be further liquidations of unnecessary and wasteful government lending agencies.

But, in the very act extinguishing RFC, Congress proceeded to create a smaller RFC called the Small Business Administration (SBA) which was empowered to make loans to small business. A study of its lending record to date by the Hoover Commission indicates that little has been learned from the fateful influence of politics on RFC lending activities. Following are some examples of the kinds of loans SBA has made. The Commission explicitly says with respect to these examples: "Although a lending program cannot be judged on the basis of a few bad loans, our task force states that these examples are not the *exceptions* but unfortunately are *representative of much of the lending in which this agency has been engaged.*"

(1) In December 1953 the SBA guaranteed 90% of a $100,000 loan for three years at 5% to provide working capital for a newly organized aluminum scrap melting venture. The business was owned by two persons each having a half interest. One reported that his net worth was in excess of $680,000. The other reported a net worth of more than $200,000. Together they had invested $150,000 in the enterprise.

The SBA Act provides that loans shall not be made if financial assistance can be obtained elsewhere on reasonable terms. It would seem obvious that two owners with a combined net worth of approximately $900,000 should not be given government help.

(2) A direct loan of $150,000 (51 months at 6%) was made by SBA in December, 1953 to finance a sheet metal business. To pay off a bank loan, $34,000 of the loan was earmarked although SBA loan policies recite that there will be no loans to "pay off creditors who are inadequately secured or are in a position to sustain a loss." SBA files show that a $125,000 capital stock offering by this business had actually been approved by the Securities and Exchange Commission, but that there was no indication that SBA had inquired into the reasons why the offering was never made.

(3) SBA made a direct loan in 1954 (5 years at 6%) of $100,000 to a businessman engaged in the fabrication and erection of structural steel. This businessman had been *continually* financed by the government since 1945 and $34,000 of the new loan was earmarked for repayment of the balance of a $75,000 RFC loan made in 1951. SBA files indicated that about 90% of the total loan would be used to pay existing debts as creditors were pressing the business hard. The files also showed that this businessman in 1951 installed *a $13,000 swimming pool at his residence.*

(4) In 1954 SBA guaranteed 85% of a $150,000 bank loan for ten years at 6% to finance new plant construction for a machine manufacturer; RFC had *declined to lend to this applicant.* One of the

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reasons given was that the applicant had refused to reduce officers' salaries which the RFC deemed excessive. According to SBA files, the applicant had two cars worth $5,000 and a *$30,000 Chris-Craft cruiser.*

(5) In 1954 SBA made a direct loan of $120,000 (73 months at 6%) to facilitate expansion of a partnership in California engaged in the manufacture of machine parts. A part of the loan, $61,000, was to be used to repay an RFC loan and $18,000 to pay indebtedness on machinery. According to SBA files, the borrower had difficulty meeting the monthly payments required by the RFC loan which were less than those required by the SBA loan and competition was endangering the existing profits of the business.

Federal Aid To Education: A mounting wave of protest against Federal Aid to Education broke over the Capitol in a hearing (held by the House Committee on Education and Labor) on April 20. The subject of education is one of the "hottest rods" that publicists have to handle and popular interest actually — as editors know — transcends many other issues of national importance. Yet, the metropolitan press scarcely noticed the events in the House Committeeroom.

One theme ran through all the testimonies of a dozen witnesses, from all over the nation: severe criticism of the false estimates of "needs" and "local abilities to pay," made by the Federal Aid proponents. For example Mr. Steve Stahl of the Oklahoma Public Expenditures Council stressed that, in the Federal report on schools, "building needs have been magnified; costs have been exaggerated; the measuring of fiscal ability has been totally unrealistic." Mr. John Burkhart, from the Indiana and Indianapolis Chambers of Commerce asserted, "needs as being beyond state and local government capacities are not exaggerated — they are non-existent."

Mr. H. A. Stansbury, Managing Director of the West Virginia Chamber of Commerce, remarked: "Making extravagant estimates of the state-wide need for new school construction in West Virginia has been a fulltime occupation for certain groups and individuals since the possibility of Federal Aid was first hinted." Stansbury shows that local estimates reduced the Federal estimates by $68 million to $35 million. Edward J. Steimel, of the Public Affairs Research Council of Louisiana, characterized as "misleading and inaccurate" Federal Office of Education estimates of local school resources. Albert K. Nohl, of the New Mexico Taxpayers Association challenged the Federal estimates of his state's "needs" of $58 million and said that the State Superintendent's estimate was $25 million, a reduction of 58%. Similarly, Montana taxpayers had their say. Witnesses frequently mentioned Secretary Hobby's "blooper" (see HUMAN EVENTS, April 23, 1955), when she over-estimated school needs in Indiana; when the correction was made by Mrs. Hobby, "needs" had descended from 400,000 classrooms to 176,000 classrooms needed by 1960.

Interesting, also, were statements of opposition to the whole principle of Federal Aid to Education. A good sample was that of Mr. George E. Stringfellow, President of the New Jersey Taxpayers Association. He warned that new Federal aid to schools "will give new opportunity for Federal control." He said: "Once centralized finance is achieved, strong centralized control could be exercised at any time with the danger that our entire public school system could become the tool of authoritarianism. Dictatorships have always harnessed the education of youth for their own ends."

Letter from THE HONORABLE J. BRACKEN LEE, Governor of the State of Utah: "I have always enjoyed reading HUMAN EVENTS during the time that I have been a subscriber. It has been a refreshing experience to read its provocative comments on current affairs. It would behoove every liberty-loving American to be a subscriber."

HUMAN EVENTS, 1835 K Street, N.W., Washington, D. C., is a weekly newsletter reporting from Washington on politics, business, labor, and taxes. Published usually in two sections: a 4-page news section and a 4-page article section.
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Vol. XII, No. 18 HUMAN EVENTS April 30, 1955

Article Section

TOWARDS A FROZEN ECONOMY:

The Guaranteed Annual Wage

By PAUL JONES

ON APRIL 14, the Director of Research for the United Auto Workers, CIO, wrote a letter to the *Wall Street Journal,* complaining that their plan for a Guaranteed Annual Wage was misunderstood. The Director went at great length into details of the scheme, denying that it involved any "freeze" or "restrictionism."

He said: "The plan leaves the employer completely free to hire and lay off in accordance with the requirements of his business. It does not commit him to maintain any given employment level for any period of time. If he hires new workers, they automatically come under the guarantee as they acquire seniority. If he lays off workers they cease to be a cost factor as they exhaust their guarantee rights."

It sounds very simple and easy. But now take a closer look. Every worker with two years seniority will be entitled to pay, whether working or not, up to 52 weeks, in "an amount sufficient to maintain normal living standards." Since the professed purpose of the plan is to stabilize employment, if it works, it will not be long before the great majority of men on the payroll will acquire the year's guarantee rights. What happens during a recession? The workers, we are told, will cease to be a cost factor as they exhaust their rights. But may not the company cease to be any factor whatever, as it exhausts its money?

The unions argue that management, if it has to pay its workers, will find work for them to do. How whatever they make will be sold, in a dull market, at a continuing profit, is not stated. Presumably the sales manager will simply pass a miracle.

Three years ago, Walter Reuther told a UAW conference in Cleveland: "Maybe we have called this thing by the wrong label. Maybe we shouldn't call it a guaranteed annual wage, because that's not what we are after. We are after guaranteed annual employment. But the surest way to get it is to go after a guaranteed annual wage."

The Steelworkers asked for, but did not get, a GAW plan in 1952. At that time, an official of U.S. Steel measured the scheme against what its results would have been in 1937, at the time of the Roosevelt "recession." If the company had been obliged to keep its 260,000 workers on straight time, it would have used up its total cash and quick assets in the year 1938.

Then what would have happened? It is hard to believe that agitation would not then have turned to nationalization or some other kind of government control, on the

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plea that the people expected their elected servants to take care of them in peace as in war. This is essentially what Philip Murray was saying in 1945. All the very best economists were predicting 12 or 14 million unemployed, as soon as peace came. Mr. Murray said the American people would expect the government to hire engineers and put them in to run the factories and make useful jobs for all.

Today UAW'S Research Director, Nat Weinberg, let the cat out of the bag in his letter to the *Wall Street Journal,* when he devoted a long sentence to setting forth why this plan was not like any previous proposal.

"The significant difference," he wrote, "is that the cost of the guarantee can be reduced, or even completely avoided, by stabilization of employment, *improvement in unemployment compensation benefits and duration,* the establishment of a sound system of reinsurance and *effective employer support of national policies to maintain a full employment economy.*" (My italics.)

UNDER THE PLAN as advanced by UAW, an employer will be liable only for the difference between a worker's normal income and what he draws from unemployment compensation. This is a dubious feature. If an individual's average pay, when working, is $80 a week, how, under the law, can he be eligible for unemployment benefits of $30 a week, if his employer is paying him $50? It is certainly a new concept of what unemployment compensation is supposed to do.

This provision in itself gives us a clue to the inner meaning of GAW. It is designed to maneuver management into a position where it will have the strongest motives for supporting maximum increases in State unemployment benefits. If the State paid full normal wages for 52 weeks, obviously, as Dr. Weinberg points out, "the cost of the guarantee can be reduced, or even completely avoided."

But it is clear that no State could enter into any such undertaking without assuming direction and control of one enterprise after another. This is the meaning of GAW in the long run, to create a situation where it will seem reasonable, advantageous and profitable for management to join labor in demanding "a full employment economy." Management, in fact, would then have no choice but to ask for Government participation. With reserves and quick assets exhausted, where else could management turn?

The socialists and planners, for their part, would be in a position to say: "Well, we gave you a chance to stabilize, and you failed. That means the system is no good."

But the chance they will have given management is only a Chinaman's chance, since GAW will stack the deck against anything like free enterprise by taking all the resiliency out of it.

Back in 1945, when Mr. Truman was quarreling with the 79th Congress, because it would not pass as written his Employment Act (really a Managed Economy Act), all the sharp experts were positive calamity was around the corner, unless all sorts of controls were continued and new ones added. In the end, the Act of 1946 provided only for the

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President's Council of Economic Advisers and directed him to report to Congress on the economic health of the nation at stated periods. The first version proclaimed the right of every American to a useful and profitable job in the mines and factories or on the farms of the nation, and the duty of the government to see to it by every possible means that no one denied an able and willing citizen this fundamental right.

About the same time, England began its five years of planned and managed full employment under the Labor Government. The system was very much like Mr. Truman's notion, in that a posse of learned economists cast the national horoscope each year and guided national economic policies accordingly. It is a matter of record that these new augurs and haruspices were disastrously wrong three times out of five. They could have done as well reading the entrails of roosters or observing the flight of the birds.

The Labor Party's failure was the failure of Socialism. Even the die-hards no longer talk of socialization as a cure-all for economic ills. The point about GAW is that, as long as times are good and employment relatively stable, it means nothing, except as it would force companies to lay up huge reserves which might be better employed in expansion or the payment of dividends. If or when even a short, sharp recession should occur, GAW would help to tip the scales toward unnecessary or mischievous government intervention.

THE LATEST REASON offered for GAW is that it is the only possible answer to the menace offered by automation. This is rather an afterthought, since the Steelworkers first put forward a GAW plan in 1944, and nobody ever heard of modern automation until a couple of years ago.

On a recent TV program, Mr. James Carey, of the CIO, held up a flat object about the same size and shape as a playing card. This, he said solemnly, was what the agitation for a Guaranteed Annual Wage was all about.

His manner was ominous, his voice doom-laden, for what he was displaying was a printed electrical circuit. It meant that thousands and thousands of workers who used to assemble wiring by hand were no longer needed. You somehow gathered the impression that industry had cast them aside like so many old gloves; they could never find jobs again. The implied background was a WPA fresco of pinched, pale faces, representing humanity menaced by the juggernaut of Technology.

The TV program suggested a number of interesting reflections. In the first place, the mass production industry he referred to as if it were a vested interest is only about 25 years old. Mr. Carey himself, now 44, began his working life and his career in the Philco plant during the 1930's, in the early days of popular-priced radio receivers.

It may be natural enough for a union man with Carey's limited experience to feel uneasy in a naturally expanding economy. After all, the eight years before his 30th birthday were passed in the institutionalized depression maintained by the policies of Roosevelt's New Deal.

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In those days, talk about how we must reconcile ourselves to a vanished frontier, a mature economy, and widespread permanent unemployment due to technological advances was a commonplace. That was the atmosphere in which ideas like Technocracy (brother, can you spare an erg?) and End-Poverty-In-California (production for use) could flower luxuriantly.

However normal it may be for people like James Carey or Walter Reuther to be haunted by old ghosts, the fact remains that their psychological bent makes them poor counsellors in an economy which has definitely got off dead center and is moving ahead at something like full speed. It does no good to remind them that GAW must inevitably (given another depression) lead to a full-employment, state-manager economy. That is precisely what would please them most. All the arguments on details of the plan turn on irrelevant pleading to show how it would be hardly noticeable in prosperous times like these. That may be so, but it doesn't alter the character of GAW as an entering wedge for Laborite Socialism.

IN THE GOOD OLD DAYS, the citizens gathered around the medicine show, where Chief Kickapoo made his pitch from the tailboard of a wagon. Almost anybody, if he listened long enough, could be convinced that he was coming down with a tapeworm ten yards long, unless he bought a bottle of the secret Tribal Remedy and started taking it at once.

There is nothing in the industrial picture today that justifies the gloomy prognosis put out by the Auto Workers, the Steelworkers, the Electrical Workers, the Rubber Workers and other advocates of the Guaranteed Annual Wage.

The figures show national unemployment oscillating around 3,500,000, or less than 6 per cent of the labor force. Classical experts have always considered this range as no more than "frictional unemployment," in no sense a sign that anything is seriously wrong with the economy. Many idle workers can be accounted for by spots where localized industries (like coal) are in trouble, by people changing jobs, or by the variations in seasonal work. It bears, of course, no comparison with totals like the nine or ten million unemployed which were "normal" from 1933 to 1941, when we had more planning than we could stand.

The Guaranteed Annual Wage, as of now, is hardly more than a patent medicine devised to alarm a patient who has nothing seriously wrong with him.

Paul Jones has been an editorial writer for the Philadelphia *Evening Bulletin* for the last dozen years. He has also contributed articles to *Colliers* and the *Saturday Evening Post.* HUMAN EVENTS has published four of Mr. Jones' pieces: "Dialogue with a D.A.," July 15, 1953, "The Martyrs of Academe," January 20, 1954, "Prospects For a New Party," September 8, 1954 and "The D.A. Looks At Coalition," February 5, 1955.

Additional Copies of the 4-page Article: 6 for $1; 10 for $1.50; 50 for $5.50; 100 for $10; 500 for $15; 1,000 for $25. Quotations for larger quantities on request.

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